



HIAP SENG ENGINEERING LTD
(JUDICIAL MANAGERS APPOINTED)
(Company Registration No. 197100300Z)

UNAUDITED 6 MONTHS ENDED 30 SEPTEMBER 2020
FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

1(a). A consolidated statement of comprehensive income (for the Group) for the first half year ended 30 September 2020

	Group		
	Unaudited		
	6 months ended 30/09/2020	(Restated) 6 months ended 30/09/2019	Changes
	S\$'000	S\$'000	%
Revenue	21,471	79,571	(73.0)
Cost of services rendered	(18,168)	(82,485)	(78.0)
Gross profit/(loss)	3,303	(2,914)	N.M.
Gross profit/(loss) margin	15%	-4%	
Other income	659	1	N.M.
Administrative costs	(3,560)	(8,700)	(59.1)
Other gain - net	501	787	(36.3)
Profit/(Loss) from operations	903	(10,826)	N.M.
Finance costs	(808)	(474)	70.5
Share of profit/(loss) of associated companies	-	(14)	(100.0)
Profit/(Loss) before tax	95	(11,314)	(95.0)
Income tax credit/(expense)	6	(5)	N.M.
Net profit/(loss) after tax	101	(11,319)	N.M.
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
– Currency translation differences arising from consolidation	270	527	(48.8)
Items that will not be reclassified subsequently to profit or loss:			
– Currency translation differences arising from consolidation	18	16	12.5
Total comprehensive income/(loss) for the period	389	(10,776)	N.M.
Profit/(Loss) attributable to:			
Equity holders of the Company	275	(10,642)	N.M.
Non-controlling interests	(174)	(677)	(74.3)
	101	(11,319)	(95.1)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	545	(10,115)	N.M.
Non-controlling interests	(156)	(661)	(76.4)
	389	(10,776)	N.M.

Notes

N.M. – Not Meaningful

Unaudited 6 months ended 30/09/2019 was restated as prior announced figures did not reflect the effects of adoption of SFRS(I) 16 Leases.

Loss before taxation included the following:

	Group	
	6 months ended 30/09/2020	(Restated) 6 months ended 30/09/2019
	SS'000	SS'000
(a) Other income		
Interest income	1	1
Rental of equipment	163	-
Sub-lease of leasehold land and building	495	-
Total other income	659	1
(b) Other (losses)/gains - net		
Allowance for impairment of financial assets and contract assets	-	(74)
Currency exchange (loss)/gain - net	(250)	782
Net gain on disposal of property, plant and equipment	459	22
Property, plant and equipment written off	(7)	-
Net gain on disposal of a subsidiary	204	-
Net gain on disposal of club membership	10	-
Sundry gain	85	57
	501	787
(c) Included in the cost of services rendered and administrative expenses are:		
Foreign workers levy rebate	1,851	-
Government grant	1,782	-
Depreciation	(2,437)	(2,941)
(d) Finance costs		
- Interest expenses on bank overdrafts	5	16
- Interest expenses on bank borrowings	748	384
- Interest expenses on lease liabilities	55	74
	808	474

1(b)(i). Consolidated Statement of Financial Position as at 30 September 2020

	Group		Company	
	Unaudited		Unaudited	
	As at	As at	As at	As at
	30/09/2020	31/03/2020	30/09/2020	31/03/2020
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	5,806	1,885	1,796	360
Trade and other receivables	11,182	20,992	18,871	29,300
Contract assets	9,181	9,811	3,635	1,723
Other current assets	3,563	3,434	1,162	1,247
	29,732	36,122	25,464	32,630
Non-current assets				
Investments in associated companies	255	255	-	-
Investments in subsidiaries	-	-	2,254	2,254
Property, plant and equipment	20,561	23,550	8,229	9,815
Financial assets, at FVOCI	1,289	1,289	1,289	1,289
Club memberships	148	253	148	253
	22,253	25,347	11,920	13,611
Total assets	51,985	61,469	37,384	46,241
LIABILITIES				
Current liabilities				
Trade and other payables	34,934	41,427	30,135	37,886
Provision for onerous contracts	163	345	93	256
Contract liabilities	5,885	6,090	2,250	3,325
Current income tax liabilities	28	27	22	3
Borrowings	27,110	29,326	20,448	22,025
Lease liabilities	1,234	1,511	1,179	1,447
	69,354	78,726	54,127	64,942
Non-current liabilities				
Lease liabilities	1,196	1,667	1,145	1,599
Deferred income tax liabilities	718	748	323	322
	1,914	2,415	1,468	1,921
Total liabilities	71,268	81,141	55,595	66,863
NET LIABILITIES	(19,283)	(19,672)	(18,211)	(20,622)
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	36,178	36,178	36,178	36,178
Other reserves	353	83	(1,193)	(1,193)
Accumulated losses	(53,526)	(53,801)	(53,196)	(55,607)
	(16,995)	(17,540)	(18,211)	(20,622)
Non-controlling interests	(2,288)	(2,132)	-	-
TOTAL DEFICIT	(19,283)	(19,672)	(18,211)	(20,622)

1(b)(ii). Aggregate amount group's borrowings and debt securities

	As at 30/09/2020		As at 31/03/2020	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less, or on demand	27,110	-	29,326	-
Amount repayable after one year	-	-	-	-

Details of any collaterals:

The Group's borrowings are secured against certain properties and machineries of the Group.

1(c). A cash flow statement (for the Group) as at 30 September 2020

	Group	
	Unaudited	
	6 months ended 30/09/2020	(Restated) 6 months ended 30/09/2019
	S\$'000	S\$'000
Cash flows from operating activities:		
Total profit/(loss) after tax	101	(11,319)
Adjustments for:		
Depreciation of property, plant and equipment	2,437	2,941
Net gain on disposal of property, plant and equipment	(459)	(22)
Net gain on disposal of club membership	(10)	-
Net gain on disposal of a subsidiary	(204)	-
Property, plant and equipment written off	7	-
Share of loss of associated companies	-	14
Allowance for impairment of financial assets and contract assets	-	74
Unrealised currency translation loss	472	45
Income tax (credit)/expense	(6)	5
Interest expense	808	474
Interest income	(1)	(1)
	3,145	(7,789)
Change in working capital		
Contract assets	631	9,455
Trade and other receivables	9,807	1,471
Other current assets	(159)	(243)
Contract liabilities	(205)	(662)
Trade and other payables	(6,989)	(7,465)
Cash generated from operations	6,230	(5,233)
Income tax paid	(8)	(3)
Net cash provided by/(used in) operating activities	6,222	(5,236)
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	779	23
Proceeds from disposal of club membership	115	-
Purchases of property, plant and equipment	(13)	(391)
Disposal of a subsidiary, net of cash disposed	(26)	-
Interest received	1	1
Net cash generated from/(used in) investing activities	856	(367)

1(c). A cash flow statement (for the Group) as at 30 September 2020 (cont'd)

	Group	
	Unaudited	
	6 months ended 30/09/2020	(Restated) 6 months ended 30/09/2019
	S\$'000	S\$'000
Cash flows from financing activities		
Interest paid	(152)	(377)
Net repayment of bank financing (trust receipts)	(348)	2,614
Proceeds from bank borrowings	-	10,013
Repayment of bank borrowings	(370)	(10,763)
Repayment of lease liabilities	(748)	(884)
Net cash (used in)/provided by financing activities	(1,618)	603
Net increase/(decrease) in cash and cash equivalents	5,460	(5,000)
Effect of currency translation on cash and cash equivalents	(105)	92
Beginning of the financial period	(391)	7,629
End of the financial period	4,964	2,721
Cash and cash equivalents represented by:		
Bank and cash balances	5,806	3,365
Less: Bank overdrafts	(842)	(644)
	4,964	2,721

1(d)(i). A consolidated Statements of Changes In Equity as at 30 September 2020

Group	Share capital	Other reserves	Accumulated loss	Total	Non-controlling interests	Total (deficit)/ equity
	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
As at 1 April 2020	36,178	83	(53,801)	(17,540)	(2,132)	(19,672)
Profit for the period	-	-	275	275	(174)	101
Other comprehensive income for the period	-	270	-	270	18	288
Total comprehensive income/(loss) for the period	-	270	275	545	(156)	389
As at 30 September 2020	36,178	353	(53,526)	(16,995)	(2,288)	(19,283)
As at 1 April 2019	36,178	191	(29,104)	7,265	(557)	6,708
Loss for the period	-	-	(10,642)	(10,642)	(677)	(11,319)
Other comprehensive income for the period	-	527	-	527	16	543
Total comprehensive loss for the period	-	527	(10,642)	(10,114)	(661)	(10,776)
As at 30 September 2019	36,178	718	(39,746)	(2,850)	(1,218)	(4,068)

Company	Share capital	Other reserves	Accumulated loss	Total (deficit)/ equity
	SS'000	SS'000	SS'000	SS'000
As at 1 April 2020	36,178	(1,193)	(55,607)	(20,622)
Total comprehensive income for the period	-	-	2,411	2,411
As at 30 September 2020	36,178	(1,193)	(53,196)	(18,211)
As at 1 April 2019	36,178	(1,175)	(30,809)	4,194
Total comprehensive loss for the period	-	-	(8,070)	(8,070)
As at 30 September 2019	36,178	(1,175)	(38,879)	(3,876)

- 1(d)(ii). Details of any changes in the company’s share capital arising rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversions of other issues of equity securities, issue of shares for the cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Not applicable. Since 31 March 2019, there is no change in share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose. As at 31 March 2020 and 30 September 2020, the Company did not have any outstanding convertibles, treasury shares or subsidiary holdings.

- 1(d)(iii). To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.**

	As at 30/09/2020	As at 31/03/2020
<u>Issued and fully paid share capital</u>		
Number of shares	303,750,000	303,750,000

- 1(d)(iv). A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

These figures have not been audited or reviewed.

- 3. Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of matter).**

Not applicable.

- 3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: (a) updates on the efforts taken to resolve each outstanding audit issue; and (b) confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.**

Reference is made to pages 13, 14, 24 and 25 of the Company’s FY2019 Annual Report. The Company’s auditors, PricewaterhouseCoopers LLP noted, amongst other things, that for the financial year ended 31 March 2019, the Group reported a net loss of \$39,492,000 and a net cash outflow from operating activities of \$5,086,000, and that as at 31 March 2019, the Group’s and the Company’s current liabilities exceeded their current assets by \$20,453,000 and \$10,420,000 respectively. Accordingly, the Company’s auditors considered there to be a material uncertainty which cast significant doubt about the Group’s and the Company’s ability to continue as going concerns.

The Company had on 28 July 2020 applied to the High Court of Singapore to be placed under judicial management, and the judicial management order was granted on 15 September 2020 and the order is currently extended to 8 March 2023

- 4. Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied**

The accounting policies have been consistently applied by the Group, and are consistent with those used in the preparation of the financial statements for the financial year ended 31 March 2019 except as disclosed in paragraph 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted SFRS(I) 16 Leases, which is effective for the financial year beginning on or after 1 April 2019. The previous announcement for 6 months ended 30 September 2019 did not reflect the effects of adoption of SFRS(I) 16 Leases and the Group has since restated the figures.

Upon adoption of SFRS(I) 16 for 1HFY2020 and 1HFY2021, the Group recognised a depreciation charge for the lease asset (included within cost of services and administrative expenses) and an interest expense on the lease liability (included within finance costs), instead of operating lease expense for affected leases.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

	Group	
	6 months ended 30/09/2020	(Restated) 6 months ended 30/09/2019
<u>Profit/(Loss) per share (cents)</u>		
Based on number of ordinary shares on issue (cents)	0.09	(3.50)
On fully diluted basis (cents)	0.09	(3.50)
Profit/(Loss) attributable to ordinary shareholders for basic loss per share (S\$'000)	275	(10,642)
Profit/(Loss) attributable to ordinary shareholders for diluted loss per share (S\$'000)	275	(10,642)
Weighted average number of ordinary shares in issue applicable to basic/diluted loss per share ('000)	303,750	303,750

Note:

The earnings per share ("EPS") is calculated by dividing the consolidated net loss attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the financial period/year.

7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	Group		Company	
	As at 30/09/2020	As at 31/03/2020	As at 30/09/2020	As at 31/03/2020
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	(5.60)	(5.77)	(6.00)	(6.79)

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business.

(i) any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors.

Half Year (HYFY2021) Review

Amid a worsening economy, the implementation of circuit breaker and safe management measures due to the Covid-19 pandemic, the Group's revenue decreased by 73.0% from S\$79.6 million for HY2020 to S\$21.5 million for HY2021.

Despite the lower revenue, the Group's generated a gross profit of S\$3.3 million for HY2021 as compared to gross loss of S\$2.9 million HY2020 mainly due to foreign workers levy rebate of S\$1.9 million received and a write back on provision for liquidated damages of a project.

The Group's other income of S\$0.6 million in HY2021 comprises mainly of rental income.

The Group's administrative expenses decreased by 59.1% from S\$8.7 million in HY2020 to S\$3.6 million in HY2021 mainly due to cost cutting efforts, accompanied by the Job Support Scheme grant of \$1.8 million.

The Group's other gains amounted to S\$0.5m in HY2021 as compared to S\$0.8 million in HY2020 was mainly due to currency exchange loss of S\$0.3 million in HY2021 as a result of the strengthening of SGD against the USD and AED.

The Group made a profit attributable to shareholders of S\$0.3 million in HY2021 as compared to the loss of S\$10.6 million in HY2020 mainly due to the factors mentioned above.

Statement of Financial Position Review

The decrease of S\$9.8 million in trade and other receivables as at 30 September 2020 as compared to 31 March 2020 was mainly due to efforts made to collect outstanding receivables due from customers.

The decrease of S\$6.5 million in trade and other payables as at 30 September 2020 as compared to 31 March 2020 resulted from the settlement of payables by the Group's Thailand and United Arab Emirates subsidiaries.

The total borrowings of S\$27.1 million as at 30 September 2020 had decreased by S\$2.2 million compared to S\$29.3 million as at 31 March 2020 as loan repayments were made.

As at 30 September 2020, the Group's cash and cash equivalents stood at S\$5.8 million as compared to S\$1.9 million as at 31 March 2020.

Working Capital Review

As at 30 September 2020, the Group's current liabilities including borrowings from banks of S\$27.1 million exceeded its current assets by S\$39.6 million. Part of the current liabilities comprised contract liabilities of S\$5.9 million, which were invoices issued to customers but yet to be recognised as revenue.

Cash Flow Statement Review

The Group reported a net increase in cash and cash equivalents of S\$5.5 million mainly due to net cash generated from operating and investing activities of S\$6.2 million and S\$0.8 million respectively and offset by net cash used in financing activities of S\$1.6 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The COVID-19 pandemic coupled with the Ukraine-Russia conflict has had a major impact globally, affecting supply chains as well as causing inflation to many economies.

Several oil majors are now focusing on margin preservation leading to a reduction on capital expenditures. Major uplift in planned spending are forecasted further out into 2023 and beyond. With commitments made at COP26, all the oil majors have started to look into green energy alternatives. Opportunities for the Group lie within the construction of green energy plants, and the maintenance of these new facilities.

Judicial Management Order ("JMO") has been made in relation to the Company on 15 September 2020 and Mr. Lin Yueh Hung and Ms. Oon Su Sun have been appointed as joint and several Judicial Managers of the Company (the "Judicial Managers") by the High Court of Singapore.

After a vigorous investor search process and discussions with numerous parties, the Company entered into a Conditional Subscription Agreement ("CSA") with a group of investors on 7 January 2022, for which the salient terms of the Proposed Transaction are set out in the Company's announcement posted on the SGX-Net.

On 7 March 2022, the High Court of Singapore ordered HSCP to be wound up, given that it has ceased all its operations and the judicial management order was discharged accordingly. An extension of the judicial management order for the Company was granted by the High Court of Singapore until 9 September 2022, and subsequently on 29 August 2022, the judicial management order was further extended to 8 March 2023, so as to allow the Company to complete the Proposed Transaction with the investors.

Upon successful completion of the Proposed Transaction and post restructuring, the Company is confident and strongly believe that the Group is able to generate sufficient cash flows from its operating activities to meet its ongoing liabilities. In addition, the Group also plans to undertake a rights issue exercise to raise up to S\$3.3 million upon completion of the Proposed Transaction. In this respect, the Group believes that its liabilities and working capital needs can be met as and when they fall due.

11. Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended)?

Nil

(b) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived (if the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been recommended for the period ended 30 September 2020. The Company wishes to reserve adequate resources for the Company's ongoing projects.

13. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPs"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have any interested person transaction and no IPT mandate has been obtained.

14. Confirmation pursuant to Rule 705(5)

The Board of Directors hereby confirms to the best of their knowledge that nothing has come to their attention, which may render the interim financial statements for the six-month period ended 30 September 2020 to be false or misleading in any material aspect.

15. Confirmation of Undertakings from Directors and Executive Officers

The Company has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

Onn Su Sun and Lin Yueh Hung
Joint and Several Judicial Managers
25 October 2022